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CAMBRIDGE LEASEHOLDS LIMITED / ANNUAL REPORT

Year ended May 31, 1969

FINANCIAL HIGHLIGHTS

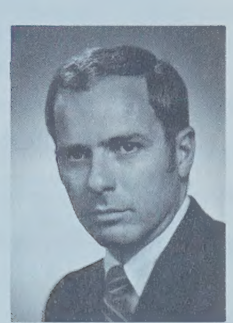
	1969	1968
Rental Income	$ 2,983,273	$ 2,112,046
Income from Operations	484,690	184,917
Per share*	47.4¢	18.1¢
Net Earnings**	259,690	272,102
Per share*	25.4¢	26.6¢
Revenue-Producing Properties (at cost)	24,327,878	17,178,254

*Per share figures calculated using 1,023,500 shares outstanding at May 31, 1969.

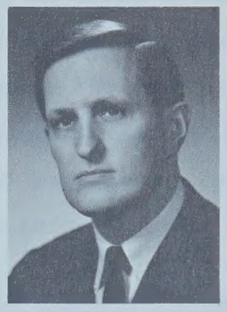
**1969 net earnings have been reduced by deferred income taxes of $225,000.

DIRECTORS AND OFFICERS

C. L. Tabachnick



D. A. King



R. G. Ellingwood

J. N. Bartlet, Q.C.

E. G. Odette

M. Tabachnick

D. J. Wilkins

DIRECTORS

James N. Bartlet, Q.C.
Edmond G. Odette
Charles L. Tabachnick
Morris Tabachnick
Donald J. Wilkins

OFFICERS

Charles L. Tabachnick, *President*
David A. King, *Vice-President*
Ronald G. Ellingwood, *Treasurer*
James N. Bartlet, Q.C., *Secretary*

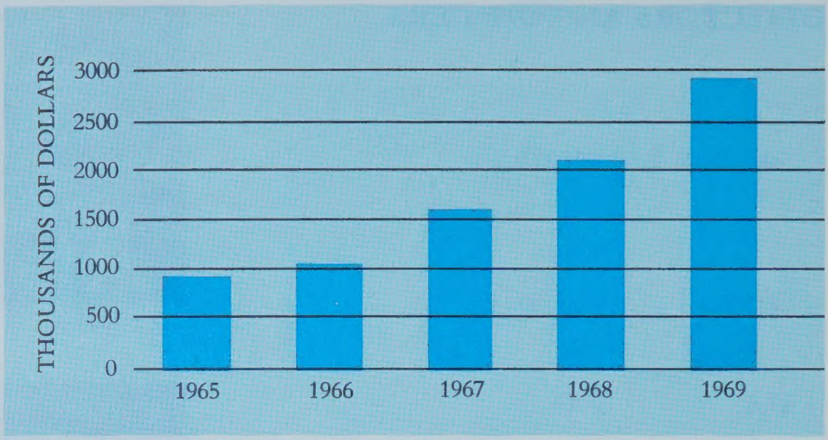
TRANSFER AGENT AND REGISTRAR

The Canada Trust Company

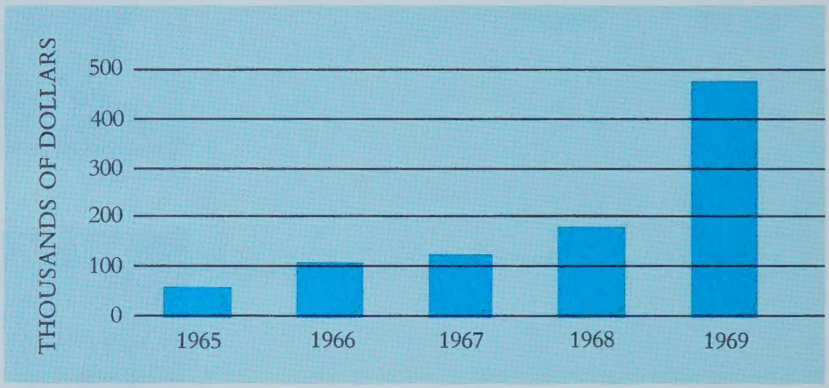
LISTED ON

Toronto Stock Exchange

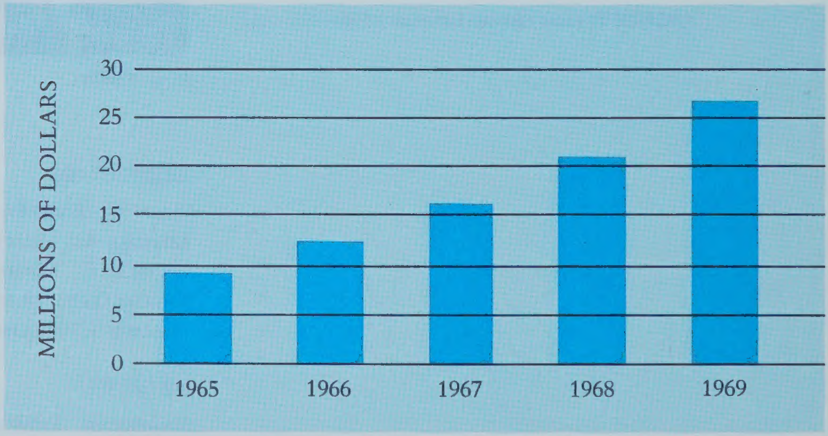
RENTAL INCOME



INCOME FROM OPERATIONS



TOTAL ASSETS



PRESIDENT'S REPORT

Many factors have contributed to make this the most important year in our history. Record earnings and growth of assets were achieved; the Company became a public company and its shares were listed on the Toronto Stock Exchange; the Burlington Mall regional shopping centre was opened; and agreements were finalized for the development of the Devonshire Windsor regional shopping centre.

Our position in the Canadian real estate industry is unique. All of our revenue-producing properties are related to retailing, with more than eighty percent of our rental income being generated from long-term leases with national retail tenants. The security of this recurring income together with anticipated additional income from new properties and from volume participation clauses in leases assures a continuous and significant growth of earnings in years to come.

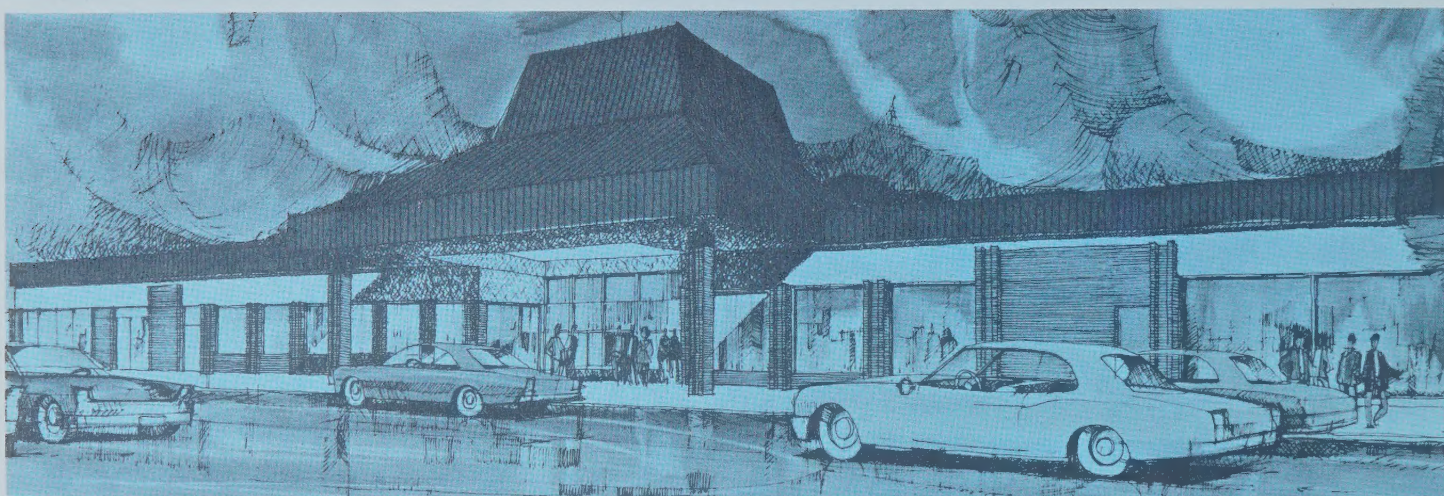
Our current development program is substantial. Three shopping centres are now under construction and we hold options to purchase several other properties on which we intend to begin development in the current year. In addition, our continuing research program will identify new opportunities for development in future years.

But our main asset for future growth is people. We have expanded our management group and we will continue to expand with the addition of competent, retail-oriented people. We gratefully acknowledge the contribution of all employees to the success which we have achieved.

C. L. TABACHNICK

PROGRESS REPORT

Exterior View
Robinson's Department Store,
Burlington Mall.



Devonshire Windsor
Shopping Centre to open
August 1970

A Busy Day in
Burlington Mall

PROGRESS REPORT

In October 1968, the beautiful Burlington Mall was completed and opened for business. This enclosed regional shopping centre of 400,000 square feet is ideally situated in Burlington near the Queen Elizabeth Way and is readily accessible to residents of Hamilton to the west, and Oakville to the east. The parking lot provides parking for 3500 cars. Burlington Mall contains a Simpsons-Sears department store, a Robinson's department store, a Dominion store, a Famous Players dual-auditorium theatre, and 53 ancillary stores. This mix of outstanding national chains and independent local merchants offers customers the ultimate in one-stop shopping convenience. Retail sales volume in Burlington Mall has been excellent with estimated sales for the first year of operation in excess of $28,500,000.

The Company's K mart Plaza in St. Catharines, Ontario, will open on September 11 this year and Cambridge will expand its operations to Prince Edward Island with the opening of a K mart Plaza in Charlottetown on November 20 this year. Charlottetown represents the tenth K mart that the Company has developed.

The Company owns a 50% interest in Regional Shopping Centres Limited which owns the Devonshire Windsor Shopping Centre now under construction in Windsor, Ontario, and scheduled to open in August 1970. Cambridge is the leasing and development agent for this centre and has already leased more than 90% of the available retail space. The major occupants will be Simpsons-Sears, Steinberg's department and food stores and Famous Players theatres. There will also be 55 ancillary stores leased to national chains and independent local merchants. The Company is optimistic about the potential of Devonshire. In this outstanding centre, many of Canada's leading merchants will be serving the people of Windsor for the first time.

Options have been secured to purchase properties in a number of cities which will continue the Company's expansion program. Particular effort is being given to the securing of approvals for new shopping centre developments in Barrie, Belleville, Brantford and Niagara Falls, Ontario.

Cambridge has developed and leased and continues to operate all of its shopping centre properties. A major part of the future growth of the Company will come from efficient management and aggressive promotion of both existing and new properties.

BALANCE SHEET

May 31, 1969

with comparative figures for 1968

ASSETS	1969	1968
Cash	$ —	$ 22,921
Accounts receivable (note 1)	312,580	259,475
Prepaid taxes, other expenses, and deposits	578,914	321,380
Land held for sale, at cost (note 2)	105,784	—
Investment in and advance to affiliated company (note 3)	8,506	—
Investment in lands under option	120,448	11,377
Projects under construction, at cost (notes 4 and 7)	1,330,971	3,359,144
Revenue-producing properties, at cost less depreciation (note 5)	23,603,323	16,697,430
Deferred development expenses, at cost less amortization (note 6)	1,130,191	667,385
	$27,190,717	$21,339,112

On behalf of the Board:

CHARLES L. TABACHNICK, *Director*

EDMOND G. ODETTE, *Director*

AUDITORS' REPORT TO THE SHAREHO

We have examined the balance sheet of Cambr
statements of earnings and retained earnings and
examination included a general review of the
records and other supporting evidence as we co

In our opinion, these financial statements p
May 31, 1969 and the results of its operations
ended, in accordance with generally accepted a
the basis of providing for taxes on income as
applied on a basis consistent with that of the pr

Windsor, Ontario
July 31, 1969

See accompanying notes to financial statements.

LIABILITIES	1969	1968
Bank indebtedness (note 7)	$ 1,031,586	$ 3,335,000
Accounts payable and accrued expenses	362,429	1,545,434
Municipal taxes	581,284	368,703
Mortgage on land held for sale (note 2)	75,750	—
Notes payable, shareholders and others	—	700,000
Mortgages on revenue-producing properties (note 8)	22,293,599	14,775,660
Deferred income taxes (note 9)	225,000	—
	24,569,648	20,724,797
SHAREHOLDERS' EQUITY		
Capital stock (note 10)		
Shares of no par value. Authorized 1,500,000 shares, not to exceed $15,000,000; issued 1,023,500 shares	1,789,400	400
Retained Earnings	831,669	613,915
	2,621,069	614,315
	$27,190,717	$21,339,112

RS

Leaseholds Limited as of May 31, 1969 and the e and use of funds for the year then ended. Our nting procedures and such tests of accounting red necessary in the circumstances.

fairly the financial position of the company at e source and use of its funds for the year then ting principles which, except for the change in bed in note 9 to the financial statements, were g year.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

STATEMENT OF EARNINGS AND RETAINED EARNINGS

Year ended May 31, 1969
with comparative figures for 1968

INCOME	1969	1968
Rental income	$2,983,273	$2,112,046
Leasing and management fees	128,333	—
	3,111,606	2,112,046
EXPENSE		
Property operating expenses	744,446	571,351
Interest—long-term debt	1,296,153	950,303
—other	65,321	42,021
Depreciation (note 5)	243,731	170,038
Amortization of deferred development expenses (note 6)	57,116	34,980
General and administrative	220,149	158,436
	2,626,916	1,927,129
INCOME FROM OPERATIONS	484,690	184,917
Gain on sale of land	—	87,185
	484,690	272,102
Income taxes, deferred (note 9)	225,000	—
NET EARNINGS FOR THE YEAR	259,690	272,102
RETAINED EARNINGS, BEGINNING OF YEAR	613,915	341,813
	873,605	613,915
Expense of issue of shares (note 9)	41,936	—
RETAINED EARNINGS, END OF YEAR	$ 831,669	$ 613,915

See accompanying notes to financial statements.

STATEMENT OF SOURCE AND USE OF FUNDS

Year ended May 31, 1969
with comparative figures for 1968

SOURCE	1969	1968
OPERATIONS		
Net earnings for the year	$ 259,690	$ 272,102
Depreciation and amortization (notes 5 and 6)	300,847	205,018
Income taxes, deferred (note 9)	225,000	—
CASH FLOW FROM OPERATIONS	785,537	477,120
NEW FINANCING		
Net proceeds of shares issued for cash	1,166,064	—
Mortgages on revenue-producing properties	8,590,000	786,719
	$10,541,601	$1,263,839
USE		
Investment in new properties	$ 5,326,125	$5,013,976
Development expenses (note 6)	424,319	166,369
Land held for sale (net) (note 2)	30,034	—
Long-term debt discharged	876,134	85,000
Principal payments on mortgages	395,927	342,972
	7,052,539	5,608,317
Net decrease (increase) in bank indebtedness and other current obligations	3,489,062	(4,344,478)
	$10,541,601	$1,263,839

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

May 31, 1969

1. Accounts Receivable

Accounts receivable include:	1969	1968
Tenants—rents and charges	$113,489	$24,496
Employees—stock purchase plan (note 10)	81,000	—
—home purchase loans	22,500	—
Expropriated land (see below)	69,811	69,744
Sale agreement	—	142,935
Other	29,842	26,362
	316,642	263,537
Less allowance	4,062	4,062
	$312,580	$259,475

The amount receivable on land expropriated at Transcona (Winnipeg), Manitoba represents the total of costs incurred to May 31, 1969 less $100,000 received as partial payment of an expropriation award of $175,000 offered by the Metropolitan Corporation of Greater Winnipeg. Negotiations to reach a final settlement of this account are continuing.

2. Land Held For Sale

Land acquired at a cost of $105,784 was sold subsequent to May 31, 1969 for a price in excess of cost.

3. Investment In And Advance To Affiliated Company

This represents the company's 50% share holding in Regional Shopping Centres Limited acquired at a cost of $200 and advances of $8,306.

4. Projects Under Construction

The company is committed to expenditures approximating $3,705,000 for the development of shopping centres in St. Catharines, Ontario and Charlottetown, Prince Edward Island. Of this amount $1,330,971 had been expended to May 31, 1969.

5. Revenue-Producing Properties

Revenue-producing properties consist of the following:	1969	1968
Land, at cost	$ 3,172,449	$ 2,495,636
Buildings and site work, at cost	21,025,776	14,623,618
Equipment, at cost	129,653	59,000
	24,327,878	17,178,254
Less accumulated depreciation	724,555	480,824
	$23,603,323	$16,697,430

Depreciation is calculated on a sinking fund method based on an estimated useful life of thirty-five years for each shopping centre developed and writes off the cost of the building and site work in a series of annual instalments increasing at the rate of 5% compounded annually.

6. Deferred Development Expenses

Deferred development expenses are those costs incurred up to the date of commencement of operation of a property and include interest on interim financing (1969, $146,134; 1968, $57,645), legal fees, consultant fees and leasing costs. These expenses are amortized over the first twenty years of operation of the property. Accumulated amortization at May 31, 1969 amounted to $158,164 (1968, $101,048).

7. Bank Indebtedness

Bank loans are employed to finance projects during the construction period. Proceeds of mortgage loan commitments are assigned to the bank to secure such loans. At May 31, 1969 the company had obtained from lending institutions and assigned to the bank, mortgage commitments totalling $3,450,000 relative to projects under construction at St. Catharines, Ontario and Charlottetown, Prince Edward Island. The St. Catharines loan bears interest at 8½% and matures in 22 years, while the Charlottetown loan bears interest at 9½% and matures in 25 years.

8. Mortgages On Revenue-Producing Properties

Mortages fall due in various years from 1983 to 1997 and bear interest at rates varying

from 5¾% to 8⅜%. Principal payments due in the next five fiscal years are as follows:

1970	$466,228
1971	507,686
1972	541,299
1973	577,217
1974	615,699

Mortgages payable in U.S. funds totalling $6,283,254 U.S. at May 31, 1969 have been expressed in Canadian funds at the rates of exchange prevailing when funds were received; principal payments due within five years have been expressed in Canadian funds at the rate of exchange on May 31, 1969.

9. Deferred Income Taxes

The treatment for tax purposes of deferred development expenses, depreciation and expense of issue of shares differs from the company's accounting treatment, with the result that no income taxes have been paid or are currently payable.

The company has previously used the taxes payable basis for accounting for taxes on income. For the year ended May 31, 1969 the Company adopted the tax allocation basis as recommended by the Canadian Institute of Chartered Accountants and accordingly the net earnings for the year 1969 are $225,000 less than the amount which would have been reported if the previous basis had been used. In addition to the deferred income taxes arising in the current year, income taxes were reduced in prior years by an aggregate amount of $252,600. No provision is being made in the company's accounts, at this time, for the latter amount.

10. Capital Stock

During the year, the company obtained supplementary letters patent to:

(a) convert the company to a public company.
(b) cancel the 3,000 unissued preference shares of a par value of $10 each.
(c) subdivide the 400 issued common shares without par value into 800,000 issued shares without par value.
(d) change the 9,600 unissued common shares without par value into 700,000 unissued shares without par value.

Shares without par value issued and fully paid during the year were as follows:

	Number of Shares	Amount
Subdivision of 400 issued common shares	800,000	$ 400
Shares issued for cash	150,000	1,200,000
Shares issued in payment of indebtedness to certain shareholders	62,500	500,000
Shares issued to employees under stock option plan	11,000	89,000
	1,023,500	$1,789,400

The company set aside 20,000 shares without par value to establish an employee stock option plan. Options to purchase a total of 12,000 shares at prices from $8 to $9 per share have been granted to senior officers and employees. Options on 11,000 shares have been exercised and the company has advanced a total of $81,000 to employees to finance these purchases. Loans are repayable in equal annual instalments over a ten year period.

11. Contingent Liabilities

(a) The company is contingently liable as mortgagor on mortgages on properties previously owned by the company, payment of which has been assumed by the purchasers. The liability secured by these mortgages amounted to approximately $915,000 at May 31, 1969.
(b) The company is also contingently liable as guarantor of the indebtedness of Regional Shopping Centres Limited to the bank up to a maximum of $1,250,000. The indebtedness to the bank at May 31, 1969 amounted to $465,000. The company also postponed its claim against Regional in favour of the bank.

12. Remuneration of Directors and Officers

Remuneration paid to directors as salaried employees and to other senior officers was $100,860 ($87,915 in 1968).

LIST OF PROPERTIES

Burlington, Ont.
BURLINGTON MALL

Charlottetown, P.E.I.
K MART PLAZA

Fredericton, N.B.
K MART PLAZA

Moncton, N.B.
K MART PLAZA

Ottawa, Ont.
K MART PLAZA

St. Catharines, Ont.
K MART PLAZA

St. John, N.B.
K MART PLAZA

Sault Ste. Marie, Ont.
K MART PLAZA

Waterloo Township, Ont.
K MART PLAZA

Whitby, Ont.
K MART PLAZA

Windsor, Ont.
GATEWAY PLAZA
K MART PLAZA
OUELLETTE—WYANDOTTE
STEINBERG'S, DOWNTOWN
DEVONSHIRE WINDSOR
(50% EQUITY OWNERSHIP)

FIVE-YEAR FINANCIAL REVIEW

	1965	1966	1967	1968	1969
Rental Income	$966,441	$1,093,397	$1,605,994	$2,112,046	$2,983,273
Income from Operations	67,603	100,528	123,176	184,917	484,690
Cash Flow from Operations	152,454	201,305	272,327	477,120	785,537
Revenue-Producing Properties (at cost)	6,204,731	9,447,799	15,291,262	17,178,254	24,327,878
Total Assets	8,919,251	12,371,930	16,214,060	21,339,112	27,190,717
Gross Leasable Area (Sq. Ft.)	567,750	820,400	1,244,150	1,381,430	1,691,430

CAMBRIDGE LEASEHOLDS LIMITED 18 KING STREET EAST, TORONTO 1, ONTARIO